

Amendment to Schedule 3: Employee Share Schemes

Summary

1. Schedule 3 makes several changes to simplify tax rules and administrative processes for employee share schemes.
2. This amendment to Schedule 3 preserves the trading activities requirement for a company to receive the tax advantages of an Enterprise Management Incentive scheme where a company is controlled by an Employee Ownership Trust.

Details of the amendment

3. Amendment 28 amends paragraph 1 of Schedule 3. It amends in particular subsection (7), to be inserted into section 534 of Income Tax (Earnings and Pensions) Act 2003 to ensure that there is a disqualifying event if the company ceases to satisfy the trading requirements of section 534(1)(c).

Background note

4. A company with assets of £30m or less that does not work in certain excluded activities may be able to offer an Enterprise Management Incentive (EMI). Under the EMI rules an employee may be granted an option to buy shares worth up to £250,000 without paying Income Tax or National Insurance on the difference between what they pay for the shares and what they are worth when the option is exercised.
5. Paragraph 1 of Schedule 3 allows a company which comes under the control of an Employee Ownership Trust to continue to operate an EMI scheme.
6. Without the amendment which is the subject of this note, Schedule 3 will not disqualify a company that is controlled by an Employee Ownership Trust from receiving the tax advantages of an Enterprise Management Incentive scheme where that company ceases to satisfy the trading activities requirements of section 534(1)(c). That was not the intention of the Schedule 3 change.